

Message Text

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ACTION EUR-12

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INFO AMEMBASSY BERLIN

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USMISSION EC BRUSSELS

USMISSION NATO

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 10939

E.O. 11652: GDS

TAGS: EALR, ENRG, ETRD, GE, HU, BU, PL, RO, UR COMECON

SUBJECT: EAST EUROPEAN PARTICIPATION IN ORENBURG NATURAL GAS
PROJECT

REF: (A) PRAGUE 1912 (NOTAL); (B) MOSCOW 8136 (NOTAL);

(C) MOSCOW 7536 (NOTAL)

1. SUMMARY - REPORTS THAT CZECHOSLOVAKIA WILL PROBABLY
PROVIDE VERY LITTLE LABOR FOR ORENBURG NATURAL-GAS PIPELINE
PROJECT IN USSR FOLLOW EARLIER INDICATIONS IN MOSCOW THAT
HUNGARIANS WILL PROVIDE ONLY ABOUT HALF OF THEIR LABOR QUOTA
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AND THAT BULGARIANS ARE ALSO HAVING DIFFICULTIES. SOVIET PRESS

HAS RECENTLY PUBLICIZED WORK WHICH WILL BE DONE BY GDR ON ITS 500-KILOMETER SECTOR IN THE UKRAINE, BUT IT APPEARS THAT ONLY TWO EE COUNTRIES WHICH WILL MEET THEIR ORIGINALLY PLANNED QUOTAS WILL BE POLAND AND THE GDR.
END SUMMARY.

2. WE HAVE NOTED WITH INTEREST EMBASSY PRAGUE'S TELEGRAM (REF A) REPORTING VIRTUAL CERTAINTY THAT CZECHS WILL NOT TAKE PART IN INSTALLATION OF PIPELINE IN THEIR SECTOR OF ORENBURG NATURAL GAS PIPELINE PROJECT, AND INSTEAD WILL MERELY INSTALL FIVE COMPRESSOR STATIONS. IN OUR VIEW MOST LIKELY REASONS ARE INABILITY OF CZECH ECONOMY TO PROVIDE EXPERT PERSONNEL PLUS RELUCTANCE OF MANY OF THOSE QUALIFIED TO WORK IN THE SOVIET UNION, DESPITE HIGH WAGES BEING OFFEREDK.R

3. NEWS OF PROBABLE SHARP REDUCTION IN CZECHOSLOVAK PARTICIPATION IN ORENBURG IS EVEN MORE SIGNIFICANT WHEN ADDED TO INFORMATION RECEIVED MID-JUNE (REF B) REGARDING SEVERE HUNGARIAN DIFFICULTIES WHICH WILL RESULT IN ONLY ABOUT 3000 HUNGARIANS WORKING ON PROJECT RATHER THAN REQUESTED 6000, AND NO HUNGARIAN LABOR AT ALL DURING THREE MONTHS OF WINTER SEASON. IN MAY SOVIET SOURCE ADVISED (REF C) THAT BULGARIANS WERE ALSO UNABLE TO MEET THEIR LABOR REQUIREMENTS. SINCE ROMANIANS HAVE NEVER BEEN SCHEDULED TO TAKE PART IN PIPE-LAYING, IT NOW APPEARS THAT ONLY EAST EUROPEAN CEMA COUNTRIES WHO WILL PLAY ROLES AS ORIGINALLY PLANNED IN DRAMATIC AND MUCH PUBLICIZED 2750 KILOMETER OPERATION WILL BE GDR AND POLAND.

4. SOVIET PRESS HAS RECENTLY REAFFIRMED GDR PARTICIPATION IN REPORTING SIGNATURE JULY 28 IN MOSCOW OF CONTRACT BETWEEN GDR FOREIGN TRADE ENTERPRISE LIMEKS AND SOVIET ORGANIZATION SOYUZVNESHSTROY-IMPORT. CONTRACT, ACCORDING TO TASS VESTNIK, CALLS FOR GDR TO LAY PIPE FOR 518 KILOMETER STRETCH THROUGH THE UKRAINE AND TO INSTALL FIVE COMPRESSOR STATIONS. GDR ROLE IN ORENBURG IS ALSO MENTIONED IN SOVIET PRESS ACCOUNTS OF RECENT SOVIET-GDR AGREEMENT FOR PLAN COORDINATION OVER 1976-80 PERIOD.

5. ALTHOUGH BOTH CEMA ORGANIZATION AND MOSCOW MAY SUFFER SOME LOSS OF FACE AS RESULT OF REDUCED EE LABOR PARTICIPATION (AND ENTHUSIASM?) FOR ORENBURG, EE COUNTRIES INVOLVED ARE CONFIDENTIAL

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CONFRONTED WITH MUCH MORE SERIOUS PROBLEM OF MAKING UP FOR LABOR SHORTAGES WITH OTHER ECONOMIC INPUTS. THESE WILL APPARENTLY INCLUDE CREDITS TO USSR FOR PURCHASE OF MACHINERY AND EQUIPMENT (SUCH AS REPORTEDLY BEING PROVIDED BY HUNGARIANS), ALLOCATIONS OF HARD CURRENCY FOR PURCHASE OF PIPE, COMPRESSOR STATIONS AND OTHER WESTERN EQUIPMENT (MAIN CONTRIBUTION BEING MADE BY ROMANIANS), AND EXPORTS OF CONSUMER GOODS TO USSR TO HELP MEET LOCAL CONSTRUCTION COSTS. HENCE,

EVEN IF EE COUNTRIES SUCCEED IN AVOIDING MANPOWER DRAIN,
THEY MUST STILL OBLIGATE SPECIFIC CHUNKS OF INVESTMENT FOR
ORENBURG.

6. SINCE SOVIET PRESS PERSISTENTLY REFERS TO LAST QUARTER OF
1978 AS TIME WHEN FIRST ORENBURG GAS WILL REACH EAST EUROPEAN
CONUSMERS, THEREBY BRINGING THEM FIRST REWARDS FOR THEIR
AID IN CONSTRUCTION OF SEVERAL BILLION DOLLARS WORTH OF
INFRASTRUCTURE ON SOVIET TERRITORY, IMPLICATION SEEMS TO BE
THAT ADDITIONAL UNITS OF SOVIET LABOR WILL BE DIVERTED TO
PERFORM MUCH, IF NOT MOST, OF THE WORK.
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